

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2018-3-E

In re: Annual Review of Base Rates)	
for Fuel Costs of Duke Energy)	CCL AND SACE’S PROPOSED
Carolinas, LLC)	ORDER
)	
)	

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the annual review of the fuel purchasing practices and policies of Duke Energy Carolinas, LLC (“DEC” or “Company”) for a determination as to whether any adjustment in the fuel cost recovery factors is necessary and reasonable. The period under review in this Docket is June 1, 2017, through May 31, 2018 (“Review Period”). The procedure followed by the Commission in this proceeding is set forth in S.C. Code Ann. § 58-27-865. Additionally, and pursuant to S.C. Code Ann. § 58-39-140, the Commission must determine in this proceeding whether an increase or decrease should be granted in the fuel cost component designed to recover the incremental and avoided costs incurred by the Company to implement the Distributed Energy Resource (“DER”) program previously approved by the Commission. The Company further seeks approval for its proposed 2018 update to calculations under the Net Energy Metering (“NEM”)

DER Valuation Methodology approved in Commission Order No. 2015-194, Docket No. 2014-246-E.¹

II. PROCEDURAL BACKGROUND

A. Notice and Intervention

By letter dated March 14, 2018, the Clerk's Office of the Commission instructed the Company to publish a Notice of Hearing and Prefile Testimony Deadlines ("Notice") in newspapers of general circulation by May 25, 2018. The letter also instructed the Company to furnish the notice to its affected customers by U.S. mail, or by electronic mail to customers who have agreed to receive notice by electronic mail, by May 25, 2018. The Notice indicated the nature of the proceeding and advised all parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings. On April 10 and May 21, 2018, the Company filed affidavits demonstrating that the Notice was duly published and furnished to affected customers in accordance with the instructions set forth by the Clerk.

Petitions to intervene were received and granted for the South Carolina Solar Business Alliance, LLC ("SBA"), South Carolina Energy Users Committee, ("SCEUC"), South Carolina Coastal Conservation League ("CCL"), and Southern Alliance for Clean Energy ("SACE") (collectively, CCL and SACE are "Conservation Groups"). The South Carolina Office of Regulatory Staff ("ORS") is automatically a party pursuant to S.C. Code Ann. § 58-4-10(B) (2015).

¹ This proposed order is limited to the issues raised by intervenors South Carolina Coastal Conservation League and Southern Alliance for Clean Energy, namely the 2018 update to NEM Methodology calculations for avoided transmission and distribution costs and avoided environmental costs.

B. Hearing

The Commission convened a hearing on this matter on September 18, 2018, with the Honorable Comer H. Randall, Chairman, presiding.² Through their personal appearances, DEC presented the direct testimonies of Joseph A. Miller, Jr. and Glen A. Snider along with the testimonies and exhibits of Eric Grant, Jason D. Martin, Kenneth D. Church, Kimberly D. McGee, Steven D. Capps. ORS presented the direct testimonies and exhibits of Anthony D. Briseno, Matthew P. Schellinger, II, and Sarah W. Johnson.³ Conservation Groups presented the direct testimony and exhibits of Devi Glick through her personal appearance. The parties stipulated to the direct testimony of SCEUC witness Kevin O'Donnell. SBA did not present witnesses at the hearing.

DEC presented the rebuttal testimony and exhibits of Glen A. Snider, Kimberly D. McGee, Eric Grant, and Steven D. Capps, in response to the direct testimony of ORS, Conservation Groups, and SCEUC. Conservation Groups filed the surrebuttal testimony of Witness Glick. ORS filed the surrebuttal testimony of Witness Schellinger. SCEUC filed surrebuttal testimony of Witness O'Donnell. DEC filed the supplemental testimony and revised exhibit of Witness McGee.

III. STATUTORY STANDARDS

S.C. Code Ann. § 58-3-140(A) vests the Commission with the “power and jurisdiction to supervise and regulate the rates and service of every public utility in this State . . .” Every rate “made, demanded or received by any electrical utility . . . shall be just and reasonable . . .” S.C. Code Ann. § 58-27-810 (Supp. 2015).

² The hearing was rescheduled from its originally scheduled date of September 13, 2018.

³ Prior to the hearing and without objection from the remaining parties, the Commission granted DEC and ORS permission to utilize panels for the presentation of witnesses.

A. Fuel Cost Recovery under S.C. Code Ann. § 58-27-865

The procedure followed by the Commission in this proceeding is set forth in S.C. Code Ann. § 58-27-865. That provision states in pertinent part that, “[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designated to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period.” S.C. Code Ann. § 58-27-865(B).

B. Recovery of Incremental and Avoided Costs of DER Programs under S.C. Code Ann. § 58-27-865

In addition to fuel costs, the Commission in this proceeding reviews and allows for recovery of “incremental and avoided costs of distributed energy resource programs and net metering as authorized and approved under Chapters 39 and 40, Title 58.” S.C. Code Ann. § 58-27-865(A)(1). These costs shall be “allocated and recovered from customers under a separate distributed energy component of the overall fuel factor that shall be allocated and recovered based on the same method that is used by the utility to allocate and recover variable environmental costs.” *Id.* Incremental DER program costs are “all reasonable and prudent costs incurred by an electrical utility to implement a distributed energy resource program pursuant to Section 58-39-130 of Chapter 39, the S.C. Distributed Energy Resource Act.” S.C. Code Ann. § 58-39-140(A). Recoverable incremental costs are capped “[f]or the protection of consumers and to ensure that the cost of DER programs do not exceed a reasonable threshold.” S.C. Code Ann. § 58-39-150.

C. Annual Updates to the Net Energy Metering Methodology Application

The distributed energy resource incremental program costs include reasonable and prudent costs related to net energy metering and the NEM DER valuation Methodology approved in Commission Order 2015-194. Pursuant to Order 2015-194 and the Settlement Agreement that the Commission approved in that order, the Company must compute and update annually the “costs and benefits of net metering and the required amount of the DER NEM Incentive” coincident in time with the utility’s filing under the fuel clause. Order 2015-194 at p. 22, para. (g).

The NEM DER Methodology approved in Order No. 2015-194 included the following eleven components:

- +/- Avoided Energy
- +/- Energy Losses/Line Losses
- +/- Avoided Capacity
- +/- Ancillary Services
- +/- Transmission and Distribution Capacity
- +/- Avoided Criteria Pollutants
- +/- Avoided CO₂ Emissions Cost
- +/- Fuel Hedge
- +/- Utility Integration & Interconnection Costs
- +/- Utility Administration Costs
- +/- Environmental Costs
- = Total Value of NEM Distributed Energy Resource

Each component in the methodology is accompanied by a description and guidelines for calculating the component. Some components may be used as placeholders “where there is currently a lack of capability to accurately quantify a particular category and/or a lack of cost or benefit to the Utility system.” Order 2015-194 at p. 20, para. (e), Ex. 1 at p. 4, para. 8. Placeholder categories are to be “updated and included in the calculation of costs and benefits of net metering if and when capabilities

to reasonably quantify those values and quantifiable costs or benefits to the Utility system in such categories become available.” *Id.*

IV. REVIEW OF EVIDENCE AND EVIDENTIARY CONCLUSIONS

DEC, Conservation Groups, and ORS presented evidence on the following contested topics: the 2018 NEM DER valuation update for (1) avoided transmission and distribution costs and (2) avoided environmental cost associated with coal ash handling and disposal.

A. DEC Direct Testimony

DEC Witnesses Kimberly D. McGee and Glen A. Snider testified to the Company’s 2018 update to the Methodology inputs for valuing the costs and benefits of NEM DERs, which to date have been primarily rooftop solar resources in South Carolina.

Witness McGee testified that the Company did not make any changes to the methodology used to derive the value of NEM DERs or the resulting “NEM incentive,” but that the Company updated the inputs to reflect more current information. McGee Direct Testimony, at p. 12. The Company updated the hourly load associated with each rate class, the hourly solar profiles, and billing rates for calendar year 2017. *Id.*

Witness Snider testified that the Company’s 2018 NEM DER value is \$0.05323 per kilowatt hour (kWh) for Schedules RS, RE, ES, RT, and SGS and \$0.05310 for all other schedules. Snider Direct Testimony, at p. 4. The Company filled in positive values for four of the eleven Methodology components. These included energy, capacity, line losses, and criteria pollutants that are avoided by NEM DERs. *Id.* at p. 4. The following remaining components were populated with zero values: ancillary services, transmission and distribution capacity, CO₂ emissions costs, fuel hedge, utility integration and

interconnection costs, administrative costs, and environmental costs. *Id.* Witness Snider testified that the 2018 update to the value of NEM DER is consistent with the methodology approved in Commission Order No. 2015-194. *Id.* at p. 4.

B. CCL and SACE Direct Testimony

The Conservation Groups presented the testimony of Devi Glick, of Synapse Energy Economics, Inc., who testified that the following two components of the NEM DER valuation Methodology are capable of quantification at this time: (1) avoided transmission and distribution capacity value and (2) avoided environmental costs. Glick Direct Testimony at p. 4. Because these components are reasonably quantifiable at this time, Witness Glick testified that they must be included in the Company's annual update. *Id.* at p. 6. She pointed to language in the 2014 NEM DER settlement agreement approved by the Commission in Order 2015-194 that requires "[p]laceholder categories [to] be updated and included in the calculation of costs and benefits of net metering if and when capabilities to reasonably quantify those values and quantifiable costs or benefits to the Utility system in such categories become available." *Id.* at p. 6.

Avoided Transmission and Distribution Capacity Value

Witness Glick testified that it is possible to quantify avoided transmission and distribution capacity costs and that those costs are not zero. *Id.* at pp. 4, 6-14, 18. She testified that there are multiple ways of calculating an avoided transmission and distribution value, and she provided a specific calculated value for avoided transmission capacity of \$0.005028 per kilowatt hour (kWh). *Id.* at pp. 13-14. This avoided transmission capacity value would replace the Company's assignment of zero for that methodology component.

Witness Glick testified that \$0.005028 per kWh represents value that NEM DERs provide to the Company and ratepayers by offsetting the need for additional transmission system capacity investments. *Id.* Witness Glick used a Current Values approach to calculate the avoided transmission value specific to DEC. She relied on the Company's data submitted to the Federal Energy Regulatory Commission and filed in its Integrated Resource Plan to make this calculation. The Current Values approach "calculates the current value of the transmission system per kW of transmission peak use." *Id.* at p. 14. "This value represents the cost of serving an additional kW, or conversely the savings from avoiding additional transmission need." *Id.*; *see also* Glick Exhibit DG-3 (showing the calculations and values used). Her calculations resulted in two values, one for a summer peaking DEC system, and another for a dual (or winter) peaking DEC system. *Id.* at pp. 13-14. Because DEC currently purports to be dual peaking (with increasing winter peaks), Witness Glick recommended using the more conservative dual peaking value of \$0.005028. *Id.*

In addition to describing the Current Values approach that she used for her calculations, Witness Glick also provided examples of alternative approaches that have been across the country for calculating avoided transmission and distribution values. *Id.* at pp. 9-12. In Maine's Value of Solar study, historical transmission tariffs were used as a proxy for the cost of future transmission that is avoidable or deferrable by DERs. *Id.* at p. 10. MidAmerican Energy Company used a simplified Current Values approach to calculate the "average cost to serve existing load by dividing both the transmission and distribution system net cost by the systems peak capability." *Id.* PacifiCorp used another approach in its Integrated Resource Plans for Oregon, Washington, Idaho, California, and

Utah. *Id.* at pp. 10-11. PacifiCorp used a cost of service study to evaluate substation capacity investments for the next five years and divided those costs by total increased capacity, giving them an estimate for demand-related substation costs. *Id.* PacifiCorp similarly calculated avoided transmission costs by “dividing total growth-related transmission investment over the next five years by forecasted change in peak, and annualizing the result.” *Id.* at p. 11. These alternative options have been used in other states in proceedings to calculate the value that distributed energy resources like solar and energy efficiency provide in offsetting the need for additional distribution and transmission capacity expenditures. Witness Glick further testified that she reviewed 15 value of solar studies for the Rocky Mountain Institute in 2013. *Id.* at p. 8. Twelve of the 15 studies included an avoided transmission and distribution value, and all 12 of those included a non-zero avoided transmission and distribution value. *Id.*

After describing how avoided transmission and distribution has been calculated elsewhere, Witness Glick testified to several available approaches for calculating this value for DEC’s annual NEM DER valuation update: (1) a system planning study, (2) review of historical transmission and distribution spending, (3) a statistical correlation of transmission and distribution capital investment and forecasted load growth, and (4) the current values approach. She also noted that avoided distribution and avoided transmission capacity costs are two distinct components of the avoided transmission and distribution component. *Id.* at pp. 11-13.

Witness Glick testified that avoided transmission and distribution costs is a category within the NEM Methodology that is “reasonably quantifiable” at this time, consistent with the 2014 NEM DER settlement agreement and Order 2015-194 approving

that settlement, and should thus be included in the Company's NEM DER Methodology update. She recommended that the Commission require DEC to immediately adopt an avoided transmission and distribution capacity value of \$0.005028per kWh.

Avoided Environmental Costs

Witness Glick also testified that she disagreed with the Company's conclusion that the avoided environmental cost component of the NEM DER methodology is zero. Glick Direct Testimony at p. 15. Witness Glick provided the example of coal ash handling and disposal as an avoidable environmental cost. Witness Glick pointed to three categories of costs associated with coal ash waste that could be avoided: (1) variable operational costs associated with coal ash disposal, (2) capital costs associated with building new impoundments, and (3) costs associated with the risk that an impoundment will leak and require clean up. *Id.* at pp. 15-16. Witness Glick provided specific recommendations to capture the avoided costs in the first two categories. For the first category, Witness Glick recommended that the Company separately report any variable operational costs associated with coal ash disposal that are presently captured within. *Id.* at p. 17. To address the second category of avoided costs, Witness Glick calculated the value of avoided coal ash capital costs at \$0.00002/kWh. *Id.* at 16. This represents the benefit that NEM DERs can provide by avoided the need to expand or build new coal ash landfills going forward. *Id.* at pp. 15-16. To calculate the avoided cost of coal ash disposal, she determined the amount of coal ash that would be avoided if solar displaced coal generation on the margin, and then calculated the associated incremental capital cost.

Id. at pp. 16-17. Witness Glick's methodology was further described in Exhibit DG-4. Glick Direct Testimony, Exhibit DG-4.⁴

C. ORS Testimony

ORS Witness Sara W. Johnson testified regarding the Company's DERP costs related to the Company's NEM DER Methodology update. Witness Johnson testified that "[t]he Company used the methodology approved in Commission Order No. 2015-194 to calculate the NEM incentive." Johnson Direct Testimony, at p. 5. Witness Johnson testified to the need to correct an error discovered in the Company's calculation of the NEM DER value, specifically related to the solar profile calculation. *Id.* at pp. 4-5.

D. DEC's Rebuttal Testimony

DEC Witness Snider testified in response to Witness Glick's testimony. His rebuttal testimony addressed avoided transmission and distribution costs and avoided environmental costs.

Witness Snider disagreed with Witness Glick that NEM DERs avoid transmission and distribution capacity costs. Snider Rebuttal Testimony, at p. 2. He testified that the distribution and transmission system infrastructure must be designed to meet load at all times of the day and year, and the Company cannot rely on NEM DERs like solar to offset peak demand needs because of their intermittent nature. *Id.* at pp. 2-3. He further testified that uncertainty around location and dispatchability of NEM DERs make it impossible for NEM DERs to avoid investments related to transmission or distribution. *Id.* at p. 3. He provided an example of a large solar facility's production on May 22, 2018, and asserted that one generator's production can vary significantly over the course

⁴ Conservation Groups filed a public and private version of Exhibit DG-4 because some of the data relied upon in the calculations was provided by the Company subject to a confidentiality agreement.

of the day. *Id.* He said there is no guarantee that solar systems will produce electricity during peak times, particularly winter peaks. *Id.* Regarding the distribution benefits of NEM DERs, Witness Snider testified that NEM DERs may actually “drive additional investments in the distribution system.” *Id.* at p. 4. He asserted that NEM solar is different from energy efficiency measures because NEM solar can backfeed onto the distribution system. *Id.* at p. 5. He further argued that the transmission system could be impacted by NEM DERs like rooftop solar similar to the distribution system because of the significant amounts of large-scale solar that the Company has been bringing online. *Id.* at pp. 6-7. Witness Snider discounted the Current Values approach because it relied on historic data and because of the intermittent nature of NEM solar. *Id.* at p. 9. Witness Snider discounted a California example of \$2.6 billion in savings from avoided transmission costs, arguing that the jurisdictions and circumstances are different in South Carolina. *Id.* at pp. 7-9.

Witness Snider also testified to the Company’s treatment of coal ash costs as it relates to avoided environmental costs in the annual NEM DER update. *Id.* at p. 10. He testified that the Company’s variable operational costs associated with coal ash disposal are included within the avoided energy component of the NEM DER valuation. *Id.* Witness Snider testified that both the avoided handling costs and the avoided capital costs calculated by Witness Glick were very small because NEM DERs would only reduce a small amount of coal that is burned on the margin and its associated residual ash. *Id.* at pp. 10-11. He further testified that the avoided capital costs calculated by Witness Glick were related to avoiding future investments in 2023 and 2025 and that those benefits should not be accounted for today, but may be considered in the future. *Id.* at p. 11.

E. CCL and SACE's Surrebuttal Testimony

Conservation Groups' Witness Glick responded in surrebuttal to Witness Snider's rebuttal testimony. She reiterated that avoided transmission and distribution capacity are two distinct value categories. Glick Surrebuttal Testimony, at p. 3. She pointed out that many of the reasons for not including an avoided transmission and distribution value raised in Witness Snider's rebuttal focused on avoided distribution system impacts, rather than avoided transmission system impacts. *Id.* She also disagreed with Witness Snider regarding the intermittency, nondispatchability, and uncertainty of NEM DERs and how that relates to avoided transmission or distribution costs. *Id.* at pp. 2-6. Witness Glick testified that these concerns primarily impact the value of NEM DERs like rooftop solar to the distribution system, rather than the transmission system, which was the focus of her testimony and recommendations. *Id.* at p. 3. She further pointed out that any of these concerns raised by Witness Snider would have been present in 2014, at the time that the Company agreed to include this category within the NEM DER Methodology, and that the Company has had ample time since 2014 to conduct studies to quantify avoided transmission and distribution values. *Id.* at p. 2. These concerns would similarly be present in other jurisdictions or parts of the country where avoided transmission and distribution values have been quantified and included in Value of Solar studies and in the energy efficiency context. *Id.* at p. 7. Her rebuttal testimony provides citations and examples to these other jurisdiction. *Id.* at pp. 7-8.

In response to Witness Snider's example of an intermittent solar production profile from a single location and day, Witness Glick noted that when NEM DERs like rooftop solar are aggregated across many circuits in the distribution system they result in

a smoother generation profile and says that Witness Snider failed to consider this aggregated impact on the transmission system. *Id.* at p. 6. Witness Glick emphasized that the NEM DER Methodology is focused on net metered resources that are small in nature such as rooftop solar systems. *Id.* at pp. 3-4. Witness Glick elaborated on this point:

At low penetrations of NEM DERs including rooftop solar PV, such as the level seen in South Carolina, the electricity produced by the NEM DERs installed on the distribution system will be consumed wholly within the distribution circuit or area network. This NEM DER generation—even in the aggregate for a particular distribution circuit—would in almost all circumstances be small enough to avoid any back-feed onto the transmission system. This is particularly true for rooftop solar systems that are net energy metered and typically sized to meet a customer’s load. The transmission system will experience a reduction in load akin to what it would experience with increased demand side energy efficiency (EE) investments made at the distribution level.

Id. Witness Glick testified in surrebuttal that the variable impacts on the distribution system “should not delay quantification and adoption of a value that represents the ability of NEM DERs to avoid or defer transmission system costs.” *Id.* at p. 7.

Responding to Witness Snider’s assertion that solar DERs are not guaranteed to contribute to peak load, Witness Glick noted that DEC’s inclusion of solar capacity credits in its Integrated Resource Plan (46% of nameplate in summer and 5% in winter) demonstrates that DEC does expect solar to contribute some generating capacity during times of peak demand, even in the winter. *Id.* at p. 8.

Regarding avoided environmental costs related to coal ash, Witness Glick testified in surrebuttal that to the extent the Company includes avoided coal ash handling costs in its avoided energy component to the NEM DER Methodology, it should seek to

separately report those costs in future NEM DER updates for transparency. *Id.* at pp. 9-10. She stated that the Company already does this for avoided criteria pollutants. *Id.* She also responded to Witness Snider's arguments on avoided environmental cost associated with coal ash land fill disposal by pointing out that: (1) deferring future dates of coal ash landfill expansions will save ratepayer costs in the interim period; and (2) the NEM DER settlement agreement does not allow zeros to be used where a value is "small," and indeed the avoided criteria pollutant value is on par with the avoided environmental cost value she calculated of \$0.0002 per kWh for avoided environmental costs associated with coal ash disposal. *Id.* at p. 10.

V. FINDINGS OF FACT

1. There are several available approaches for calculating avoided distribution and capacity costs that have been utilized in other jurisdictions to help quantify the value of NEM DERs. These approaches include: (1) a system planning study, (2) a review of historical transmission and distribution spending, (3) a statistical correlation of transmission and distribution capital investment and forecasted load growth, and (4) the current values approach.
2. Avoided distribution and avoided transmission capacity costs are two distinct components of the avoided transmission and distribution category of the NEM DER methodology.
3. Avoided transmission capacity is capable of quantification at this time, for the purposes of DEC's NEM DER valuation update.

4. Using the current values approach, NEM DERs on DEC's system have an average avoided transmission capacity value of \$0.005028 per kWh, so long as the system is dual peaking.
5. Avoided Environmental Costs of NEM DERs, specifically associated with coal ash handling and disposal are capable of quantification at this time, for the purposes of DEC's NEM DER valuation update.
6. The avoided coal ash handling costs are currently embedded in the Company's avoided energy component, but it is possible to separately state them, as with avoided criteria pollutants.
7. NEM DERs avoid costs associated with expanding or building new coal ash disposal landfills and the value of that avoided cost is currently \$0.00002 per kWh.

VI. CONCLUSIONS OF LAW

The NEM Settlement Agreement approved by this Commission in Order No. 2015-194, Docket No. 2014-246-E, states that the Company shall compute and update annually the "costs and benefits of net metering and the required amount of the DER NEM Incentive" coincident in time with the Utility's filing under the fuel clause. Order 2015-194, at p. 22, para. (g). Under that approved settlement agreement, placeholder categories within the NEM DER Methodology calculations are to be "updated and included in the calculation of costs and benefits of net metering if and when capabilities to reasonably quantify those values and quantifiable costs or benefits to the Utility system in such categories become available." *Id.*

The Commission finds that an avoided transmission capacity value is reasonably quantifiable at this time and should be included in DEC's 2018 NEM DER valuation update. Conservation Groups' Witness Glick testified to several methods for calculating this component, demonstrating that avoided transmission (and distribution) capacity values are capable of quantification at this time. The Commission concludes that Witness Glick's calculated avoided transmission capacity value of \$0.005028 per kWh is appropriate to include in the Company's 2018 NEM DER valuation update, based on the Current Values approach. The Commission finds that concerns about the intermittency, coincidence, dispatchability, and dependability do not change the fact that avoided transmission and distribution costs are being quantified in many jurisdictions around the country. The Commission is confident that Duke Energy should be able to similarly quantify this component in a reasonable manner. Absent a specific Company proposal, it is reasonable to adopt at this time the value proposed by Witness Glick for the avoided transmission and distribution component.

The Commission further finds that the NEM DER Methodology component of avoided environmental costs, specifically related to coal ash handling and disposal, is capable of reasonably quantification at this time. The Company already includes avoided coal ash handling costs within its avoided energy cost component and should separately state this value going forward in the avoided environmental cost component, similar to its approach to avoided criteria pollutants. Moreover, because the costs that NEM DERs are able to avoid associated with coal ash disposal are now quantifiable—as demonstrated by Witness Glick's testimony and calculations—the Company can and shall incorporate this value into its 2018 NEM DER Methodology update. Commission Order 2015-194 does

not allow for placeholder values or zeros to be used where a component value is deemed to be a small value, and therefore the value of \$0.00002 per kWh shall be included in the avoided environmental component even though it is a relatively small value.

IT IS THEREFORE ORDERED THAT:

1. The Company shall adopt an avoided transmission cost value of \$0.005028 per kWh in its 2018 NEM DER valuation update. Any fuel clause or DERP cost recovery adjustments needed to account for this change will be made in the 2019 fuel clause proceeding.
2. The Company shall adopt an avoided environmental cost value associated with avoided coal ash disposal costs of \$0.00002 per kWh in its 2018 NEM DER update. Any fuel clause or DERP cost recovery adjustments needed to account for this change will be made in the 2019 fuel clause proceeding.
3. The Company shall separately report the avoided environmental costs of handling coal ash in future NEM DER updates, as it currently does with avoided criteria pollutants.
4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Comer H. Randall, Chairman

ATTEST:
